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Public Service of the Public Accountant*

By J. ARTHUR MARVIN

The subject assigned me presents two major points, in my opinion, namely:

1. The public service of the public accountant to the public at large.
2. The public service of the public accountant to governmental bodies.

These I shall discuss in the order presented.

I. SERVICE TO PUBLIC AT LARGE

Much has been written upon the subject of the "Public Service of the Public Accountant." It is a large subject because the public at large necessarily includes the banker, lawyer, engineer, business man, and the small and large investors who are becoming more and more dependent upon the financial and operating statements certified to by reputable public accountants.

Perhaps it would be best to go back a little and review what has been built on the foundations laid by some of the older members of our profession. It has not been much more than a quarter of a century ago that public accountants of unquestionable reputation realized that if the profession of accountancy was ever to receive the recognition it was entitled to, they would have to organize and establish standards by which those then in the profession should be governed, and to which those coming after could readily subscribe. The result of this was that a handful of men met in New York City and formed what was then known as the American Association of Public Accountants. Some of these men are still with us and should receive our utmost respect and cooperation. Others have passed over the Great Divide. Their memory should be revered.

I have not a copy of the original constitution and by-laws of the American Association of Public Accountants before me, as time would not permit my sending for it. I wish I had, because therein would lie the basis for this discussion. However, permit me to quote a part of article 1, section 1 of the constitution of the American Institute of Accountants: "Its object shall be * * *

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to promote and maintain high professional and moral standards." It seems to me that that is the basis for this discussion.

As I look back over my twelve years' experience as a public accountant, I am satisfied that greater strides have been made in promoting and maintaining high professional and moral standards than in any of our other objectives. Only men who have had the future welfare of the profession at heart have succeeded in the profession and still maintain our respect and admiration. Therefore, in my opinion, the greatest responsibility falls upon the professional practitioner in the employment of junior accountants for his staff. He should select only men of the highest character—men that will become a credit to the profession. I believe that this has been generally done in the past. It is for us to see that it is continued in the future.

Because of the effort on our part to improve the professional and moral standards of our calling, we have gained a position in the mind of the public at large which we should jealously guard. This is founded on moral fibre alone and is the more valuable to the public because we have imposed these standards upon ourselves. No laws, as far as I know, have been enacted in this country that fix the legal responsibility of the public accountant. Therefore, we have a right to feel very proud of the progress we have made. Public opinion or our own protection may compel the passage of such laws in the future, but I sincerely trust this will not become necessary.

This effort on our part to improve our professional and moral standards has resulted in our being called upon to render a much greater service today than we were called upon to render a decade ago.

The services now rendered by our profession to the public at large may be briefly presented as follows:

1. Preparation of financial and operating statements for the purpose of obtaining credit.
2. Preparation of financial and operating statements to meet the requirements of blue-sky laws.
3. Preparation of financial and operating statements for the purpose of consolidations.
4. Preparation of financial and operating statements after giving effect to new proposed financing.
5. Audits for the purpose of safeguarding the finances of all classes of businesses or institutions.

6. Assistance in the preparation of budgets for all classes of businesses and institutions.
7. Preparation of statements or data showing the management of businesses why they are or are not operating at a profit.
8. Preparation of statements showing sales statistics and their relation to the distribution of given products.
9. Preparation of statistics showing the development of the various operations of a given business.
10. Preparation of federal and state income-tax reports.
11. Preparation of reports on estates and trusts.
12. Preparation of reports for receivers in bankruptcy.
13. Acting as receivers in bankruptcy.
14. Acting as arbitrator in commercial disputes.
15. Designing and installing cost systems.
16. Designing and installing systems for the purpose of more efficiently collecting the data used in the preparation of the various statements and reports referred to above.

The above may not be a complete list, but what a contrast this service is to that which existed in the public mind a decade ago. I can recall when the average business man only engaged the services of the public accountant for the purpose of verifying the honesty of the person or persons in charge of his accounts and records.

II. SERVICE TO GOVERNMENTAL BODIES

The recognition by governmental bodies of the value of the service rendered by public accountants is more recent. It is a logical recognition of the service we have rendered to the public at large, for who is better prepared to act in an advisory capacity to the legislative branches of the government on proposed finance and methods of taxation than the public accountant? He is probably in closer touch with the business man than any other group of professional men. We undoubtedly owe much to the recognition we have obtained from governmental bodies in the past few years, during and since the world war. Not only so far as it related to the service of the public accountant in assisting the government in developing systems and rules of accounting procedure, for the purpose of the prosecution of the war, but also in the assistance we have rendered to the bureau of internal revenue in an effort to reduce the complications arising from the recent income and excess-profits tax laws. Accountants of national reputation have continually been in consultation with the tax advisory boards in this effort. Another result that we have

obtained has been the recognition by the bureau of internal revenue of the rules of conduct as prescribed by the American Institute of Accountants, and those prescribed by the American Bar Association. The bureau of internal revenue has used these as a basis for their most recent publications on the rules of practice before the treasury department. It is hard to enumerate all of the services we might render governmental bodies, but I think it is safe to assume that we should be able to be of great assistance in the following:

1. Assisting the legislative branches of the government in devising ways and means of providing proper sources of revenue.
2. Assisting our national, state, and municipal governments in the preparation of budgets.
3. Assisting in the education of the administrative branches of the government in the use of more uniform records.
4. Assisting in developing uniform systems of accounts and records in our various states that may be applied to political subdivisions thereof, regardless of size, and still be operative.

The chances are that many of you will say to me that this involves the accountant to such an extent that he will have to eject himself into the political situation in his state, and that because of this he cannot remain non-partisan. This is probably true when a large amount of remunerative work is involved, but I have in mind the work we can do in an advisory capacity as an organization. What greater service can be rendered by the public accountants organized as they are, than to take up proposed tax legislation regardless of its effect on any particular political subdivision of a state, and make an offer to the state to cooperate with any branch of the government in an effort to help them solve their taxing and accounting problems? We talk a lot about ethical publicity and yet I feel that we are missing the greatest opportunity ever presented to us when we fail to recognize our own ability to help our various communities solve their financial problems. Mr. Edward E. Gore, our esteemed president, mentioned this point in the remarks he made at Minneapolis last May. It is not enough for the American Institute of Accountants to be rendering the service it is to the national government—we should also reach out and help the state governments. It seems to me that the service the public accountant can render to a state and the political subdivisions thereof, lies through the recently

formed chapters of the American Institute of Accountants, or through the various state societies of public accountants. It is true that we are in our profession to make a living, but at the same time if we are to procure the recognition that should be ours, we must look forward to the time when we will give of the knowledge we have for the benefit of the communities in which we live. I would like to see this developed to such a point that whenever the legislative branches of the government have financial problems to solve, whether national, state, or local, they will place their problems before the public accountant and ask his help in the solving thereof. To my mind this is our greatest avenue of publicity and will further add to the prestige of the reputable public accountant in this country. Our most profitable work often is not the work we get the most money out of, but it is that work which, when well done, adds to our prestige. This in the long run is the most remunerative. It seems to me that the most valuable thing that we can discuss at this meeting is ways and means by which we can render a greater service to the communities in which we live.

CONCLUSION

No professional body can hope to exist permanently unless it is progressive. One must always look for new ways in which he can be of service, and I am going to present here an idea to which I have recently given a little thought. Our desire should be to give a greater service and it occurred to me that a committee should be appointed by the American Institute of Accountants for the express purpose of investigating and determining the advisability of creating a research bureau in charge of a thoroughly experienced accountant. The general purpose of this bureau would be as follows:

1. To establish a model revenue law that could be used as a guide by state governments in the development of their revenue system.
2. To collect and analyze the existing revenue laws of the various states of the Union. The comparison of these laws with the model law proposed with the view of submitting suggested changes to the accountants residing in the state involved, who in turn would present it to their state government with the recommendation that it be given consideration by the legislative body.
3. To design a model uniform system of accounts and records for states and political subdivisions thereof.

4. To investigate uniform accounting systems that have been adopted by various industries with the view of offering suggestions as to improvements, as well as assisting in the development of uniform cost-accounting systems in industries that do not now have them.
5. To compile detail statistical data relating to the operations of the various industries of the country.
6. To prepare uniform classifications of accounts for various industries with the view of submitting them to members for their guidance in the preparation of operating statements.

The above may not sound like a very practical idea, but probably it will furnish food for thought and will create in the minds of some a more logical development. However good the service we have given in the past has been, it should not be good enough for us. We should strive to find other ways in which we can serve.